



DEPARTMENT OF LOCAL GOVERNMENT FINANCE

Budget Training

Role of DLGF in Local Budgeting Process

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DLGF Budget Training Introduction

- Role of DLGF in Local Government Budgeting
 - Funds and Organization Structure
 - Property Tax Supported Funds
 - Property Tax Parameters (Controls)
 - Budget Requirements:
 - Public Notices
 - Hearings
 - Budget Approval
 - Budget Amendments – Additional Appropriations



Role of DLGF in Budgeting

■ The DLGF:

- Collaborates with SBoA to manage fund structure and account structure.
- Prescribes budget forms that are approved by SBoA.
- Enforces maximum levy controls.
- Certify the property tax rates and levies with certification of budget orders.
- Ensures compliance with statutory requirements for budgets, rates, and levies.
- Authorizes creation and establishment of new tax supported funds or new units if government.
- Review requests for additional appropriations.
- Until last year, the DLGF reviewed all requests to issue tax supported debt. Now those requests are answered at the local level and may require referendum approval.



Funds

- Governmental Funds are grouped according to:
 - Cities and Towns
 - Counties
 - Libraries
 - Townships
 - Special Districts (Conservancies)
 - Schools
- Each form of government has “fund groups” for operating, capital projects and debt service obligations. Each has authority to levy property tax for the various funds within statutory limits.



Property Tax Supported Funds

- Generally, operating funds, debt service and some capital project funds may be property tax funded.
- Authority to tax property must be according to state statute.
- Authority to tax is limited by IC 6-1.1-18 and IC 6-1.1-18.5.
- Factors needed to calculate are levy, assessed values, and rate:

$$\text{LEVY} = \text{RATE TIMES (ASSESSED VALUE/100)}$$

Increases to the tax are limited to the previous years operating levy plus one-half of the unused maximum levy remaining plus the statewide average growth quotient. Some adjustments and exceptions may apply.



Property Tax Supported Funds

- **Cumulative Capital Funds** – These funds are used for “pay-as-you-go” capital projects. They may be used to acquire land, equipment, or construction projects. Cumulative funds may also be used to make debt service payments. These are “rate controlled funds” where the Indiana Code places a maximum rate that may be charged. The rates are adjusted each year for “neutralization” so they receive no benefit from trending. Levies for cumulative funds are in addition to the maximum levies.
- **Debt service Funds** – These funds are typically supported by property taxes and are used to pay principal and interest payments on bonds issued by the unit. Debt service has priority funding status and the levies are outside of the levy controls.



Property Tax Parameters (Controls)

- Art. 10 Section 1 of Indiana Constitution:
- “(a) The General Assembly shall provide, by law, **for a uniform and equal rate of property assessment and taxation** and shall prescribe regulations to secure a just valuation for taxation of all property, both real and personal. The General Assembly may exempt from property taxation any property in any of the following classes:
 - (1) Property being used for municipal, educational, literary, scientific, religious, or charitable purposes.
 - (2) Tangible personal property other than property being held as an investment.



Property Tax Parameters (Controls)

- Art. 10 Section 1 (Continued)
- (3) Intangible personal property.
 - (4) Tangible real property, including curtilage, used as a principal place of residence by an:
 - (A) owner of the property;
 - (B) individual who is buying the tangible real property under a contract; or
 - (C) individual who has a beneficial interest in the owner of the tangible real property."



Property Tax Parameters (Controls)

■ Circuit Breakers (Tax Caps):

– IC 6-1.1-20.6-7.5

Calculation of credit

Sec. 7.5. (a) A person is entitled to a credit against the person's property tax liability for property taxes first due and payable after 2009. The amount of the credit is the amount by which the person's property tax liability attributable to the person's:

- (1) homestead exceeds one percent (1%);**
 - (2) residential property exceeds two percent (2%);**
 - (3) long term care property exceeds two percent (2%);**
 - (4) agricultural land exceeds two percent (2%);**
 - (5) nonresidential real property exceeds three percent (3%); or**
 - (6) personal property exceeds three percent (3%);**
- of the gross assessed value of the property that is the basis for determination of property taxes for that calendar year.**



Property Tax Parameters (Controls)

- Excessive Levy Appeals: Units may appeal to exceed the maximum levy under the following conditions:
 - 1. The units has increased costs due to annexation, consolidation, or extension of services (IC 6-1.1-18.5-13(a)).
 - 2. Assessed value growth over 3 years exceeds 1.02% of statewide growth factor (IC 6-1.1-18.5-13(a)3).
 - 3. Unit cannot fulfill their governmental duties under the levy limits due to a natural disaster, an accident, or another unanticipated emergency.
 - 4. The unit needs a correction of advertising, mathematical or data error (IC 6-1.1-18.5-14).
 - 5. The unit has experienced a property tax shortfall due to erroneous assessed values (IC 6-1.1-18.5-16). **Unit cannot recover shortfalls due to circuit breaker credits.**



Property Tax Parameters (Controls)

■ Excessive Levy Appeals

- In order to qualify for the appeals, unit must file the appeal(s) with the DLGF by October 19th. Shortfall appeals may be filed up until December 30st.
- Unit must include the excessive levy appeal amount in the proposed budget for the following year.
- Excessive levy appeal amount must be included in the public notice for hearing on budget. Amount must be in the column titled "Excessive Levy Appeals (Included in Column 3)"
- Amount of appeal must also be included in advertised amount of levy
- Commissioner of DLGF will approve, deny, or modify the appeal.
- Increases to property tax levy due to appeals are subject to Circuit Breaker calculation.



Notices to Taxpayers

- DLGF prescribes budget forms used to prepare annual budgets and notify public of budget meetings and hearings
- “Notice to Taxpayers of Budget Estimates and Taxes” gives taxpayers notice of when to attend budget meetings and when they can be heard to object or support budgets, rates, or levies by local taxing units
- “Notices” are very similar for all taxing units except schools
- Schools have different notice requirements
- “Notice to Taxpayers” is an advertisement in local newspapers



Notices to Taxpayers

■ Public notices are required by IC 6-1.1-17-3

Sec. 3. (a) The proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

- (1) the estimated budget;
- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; and
- (4) the amounts of excessive levy appeals to be requested.

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing. Beginning in 2009, the duties required by this subsection must be completed before September 10 of the calendar year.



Notices to Taxpayers

■ Key provisions of IC 6-1.1-17-3:

- 1. Estimated budget, levies, and levy appeals are the maximum a unit may receive.
- 2. Time and place of the public hearing must be included in the advertisement.
- 3. Notice must be published twice.
- 4. There must be 10 days from the first notice till the public hearing.
- 5. The notices must be at least one week apart (IC5-3-1-2(j)).
- 6. The second notice must be at least 3 days before the hearing.
- 7. Advertisement must be in accordance with IC 5-3-1 which determines the qualifications for a newspaper and minimum circulation to be a "qualified publication."

ANY OMMISSION OR ERROR MAY BE GROUNDS TO DENY THE BUDGET AND/OR THE UNITS LEVY!



Public Hearings

- DLGF enforces requirements for public hearings and notifications.
- **Public Hearing must be advertised according to IC 5-3-1.**
- The public must have a “reasonable” opportunity to speak.
- If additional time is required, the meeting can be continued to another time and date as announced at the hearing.
- **Public hearing must be at least 10 days before the adoption meeting. Public has seven (7) days to file objections with the fiscal body.**
- Failure to comply is cause to deny budget.



County Council Review

- Budgets of civil taxing units (not schools) that levy a property tax are to submit the proposed budgets to the county council
- Budgets are submitted 45 days before adoption
- Council compares the budget and levy to the increase in the statewide average growth quotient and the county growth quotient
- Council issues a non-binding recommendation to unit so they may incorporate the recommendation into the adopted budget.
- Failure by the council or the unit to comply results in same appropriation and levy as the previous year.
- See IC 6-1.1-17-3.5.



County Council Review

Adams County

County Council Property Tax Budget Review Form
Taxing Unit Type, Levy, and Rate

Budget Year 2010

Comparison of the current year property tax levy to the proposed property tax levy.

	2009 Budget Year	2010 Budget Year
State Average Growth Quot.::	4.00%	3.80%
County Growth Quotient:		2.80%

Unit Type: **County**
Unit Name: **ADAMS COUNTY**
Unit Code: **0110000**

Council Recommendation:

Fund Code	Fund Name	A Fund Balance as of 6-30-2008	B 2009 Certified Budget	C 2010 Unit Proposed Budget	D % Change, 2009-2010	E Difference - County Growth Quotient	F 2010 County Approved Budget	G 2009 Certified Levy	H 2010 Unit Proposed Levy	I % Change, 2009-2010	J Difference - County Growth Quotient	K 2010 County Approved Levy
0101	GENERAL	\$ 1,935,768	\$ 10,074,605		0.00%	0.00%		\$ 5,524,595		0.00%	0.00%	
0123	2006 REASSESSMENT	\$ 376,561	\$ 158,350		0.00%	0.00%		\$ 75,835		0.00%	0.00%	
0590	CUMULATIVE COURT HOUSE	\$ 236,682	\$ 240,000		0.00%	0.00%		\$ 48,029		0.00%	0.00%	
0702	HIGHWAY	\$ 748,116	\$ 2,169,427		0.00%	0.00%		\$ -		0.00%	0.00%	
0706	LOCAL ROAD & STREET	\$ 120,174	\$ 285,000		0.00%	0.00%		\$ -		0.00%	0.00%	
0790	CUMULATIVE BRIDGE	\$ 1,030,037	\$ 612,800		0.00%	0.00%		\$ 616,793		0.00%	0.00%	
0801	HEALTH	\$ 31,762	\$ 283,449		0.00%	0.00%		\$ 236,353		0.00%	0.00%	
1192	CUMULATIVE JAIL	\$ 877,790	\$ 50,000		0.00%	0.00%		\$ 379,176		0.00%	0.00%	
1301	PARK & RECREATION	\$ 10,146	\$ 181,335		0.00%	0.00%		\$ 145,351		0.00%	0.00%	
2391	CUMULATIVE CAPITAL DEVELOPMENT	\$ 1,299,368	\$ 1,062,000		0.00%	0.00%		\$ 274,271		0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
					0.00%	0.00%				0.00%	0.00%	
9999	TOTAL	\$ 6,666,404	\$ 15,116,966	\$ -	0.00%	0.00%	\$ -	\$ 7,300,403	\$ -	0.00%	0.00%	\$ -

Council President (or Designee)



Budget Approval

- Budgets must be adopted no later than Nov. 1st beginning in 2009.
- Adoption is a public meeting and is required to be advertised. Meeting is not a public hearing for the budget. Public hearing must be at least 10 days prior to adoption meeting.
- 10 or more taxpayers may object to a budget, rate, or levy by filing an objection with the officers of the political subdivision within 7 days after the hearing.
- The objecting petition must specify the provisions of the budget , rate, or levy that they object to.
- The unit shall adopt with the budget a “finding” concerning the objections and testimony.



Budget Approval

- Fiscal body adopts the budget, rates, and levies at the adoption meeting by majority vote. If budget fails to pass, the same budget and levy continues for the following year.
- Budget is filed with county auditor within three (3) days of adoption meeting .
- Auditor compiles all budget information and advertises adopted rates if necessary.
- Auditor submits budget information to DLGF.
- DLGF works budget and issues 1782 notices when ready.
- Units respond to 1782's and DLGF schedules a public hearing on the budget.
- Upon completion, DLGF issues budget order certifying rates, levies, and appropriations.



Budget Amendments

- Amendments to approved budgets:
 - Governmental units often find a need to amend the budget. They identify additional needs that have arisen since the budget was adopted or they may have additional resources to allocate. They may also need to react to declining resources.
 - Units may make additional appropriations up to the level of available fund balances. Additional appropriations require the approval of a fiscal ordinance or resolution in a process similar to the budget adoption.
 - Additional appropriations to funds supported by property taxes, income taxes, MVH, Local Road & street funds, Rainy day funds, require approval of the DLGF. Appropriations to other funds simply need to be reported to the DLGF.
 - Budget amendments are to filed with the DLGF before December 15th. (DLGF has 15 days to respond to additional appropriations.)



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